

JULIEN CARE FACILITY  
FINANCIAL STATEMENTS  
JUNE 30, 2004  
AND  
INDEPENDENT AUDITORS' REPORT

JULIEN CARE FACILITY  
JUNE 30, 2004

Table of Contents

	<u>Page No.</u>
Board of Directors	3
Independent Auditors' Report	4
Financial Statements:	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 12
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting	13 - 14

# JULIEN CARE FACILITY

## Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary Lou Baal	President	May 2005
Barb Potts	Vice-President	May 2006
Jan Kunau	Secretary	May 2007
Marilyn Osterhaus	Treasurer	May 2006
DUBUQUE CO:		
Jim Waller	Member	May 2005
David Berry	Member	May 2007
Nancy Zachar Fett	Member	May 2005
Rima Britt	Member	May 2007
JACKSON CO:		
Steven Kahler	Member	May 2005
Penny Percy	Member	May 2006
Jack Willey	Member	May 2005
CLINTON CO:		
Ruthann Papke	Member	May 2006
Sr. Ruth Cox	Member	May 2005
Lewis Todtz	Member	May 2006

## Independent Auditors' Report

To the Board of Directors  
Julien Care Facility

We have audited the accompanying financial statements, listed in the table of contents of this report, of Julien Care Facility (a nonprofit organization), as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Julien Care Facility at June 30, 2004, and the results of its operations, changes in its net assets, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2005 on our consideration of Julien Care Facility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa  
January 7, 2005

JULIEN CARE FACILITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2004

ASSETS

Current Assets:	
Cash	\$ 244,573
Patient accounts receivable, less allowance for doubtful accounts \$20,400	200,778
Prepaid expenses	15,422
Inventory	31,986
Total Current Assets	<u>\$ 492,759</u>
Assets Whose Use is Limited or Restricted:	
Residents' cash	\$ 5,453
Self-funded dental insurance surplus	19,147
Total Assets Whose Use is Limited or Restricted	<u>\$ 24,600</u>
Property and Equipment:	
Office furniture and equipment	\$ 148,780
Leasehold improvements	9,341
Total	<u>\$ 158,121</u>
Less: accumulated depreciation	<u>(142,295)</u>
Total Property and Equipment	<u>\$ 15,826</u>
Total Assets	<u><u>\$ 533,185</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 24,655
Accrued wages	61,396
Compensated absences	60,964
Total Current Liabilities	<u>\$ 147,015</u>
Current Liabilities (Payable from Restricted Assets):	
Residents' cash	<u>\$ 5,453</u>
Total Liabilities	<u>\$ 152,468</u>
Net Assets:	
Unrestricted:	
Operations	\$ 361,570
Board designated	19,147
Total Unrestricted Net Assets/Total Net Assets	<u>\$ 380,717</u>
Total Liabilities and Net Assets	<u><u>\$ 533,185</u></u>

See accompanying notes to financial statements.

JULIEN CARE FACILITY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

Revenues:		
Patient fees	\$ 1,266,224	
Interest income	2,204	
Rental income	79,802	
Other revenue	<u>195,512</u>	
Total Revenues		\$ 1,543,742
Expenses:		
Nursing services	\$ 564,180	
Resident activities	86,149	
Housekeeping	214,667	
Nutrition	287,056	
Human services	43,910	
General and administrative	533,957	
Depreciation	<u>12,257</u>	
Total Expenses		<u>1,742,176</u>
Change in Net Assets From Operating Activities		\$ (198,434)
Net Assets at Beginning of the Year		<u>579,151</u>
Net Assets at End of the Year		<u><u>\$ 380,717</u></u>

See accompanying notes to financial statements.

JULIEN CARE FACILITY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2004

	Nursing	Resident Activities	Housekeeping	Nutrition	Human Services	Total Programs	General and Administrative	Total
Salaries	\$ 408,445	\$ 65,937	\$ 148,733	\$ 148,102	\$ 34,419	\$ 805,636	\$ 207,018	\$ 1,012,654
Payroll taxes	26,519	4,267	9,649	9,584	2,232	52,251	13,390	65,641
Group health insurance	54,965	8,843	20,000	19,864	4,626	108,298	27,754	136,052
Group disability ins.	1,763	284	641	637	148	3,473	891	4,364
Workmens' compensation ins.	10,337	1,663	3,761	3,736	870	20,367	5,220	25,587
Group retirement	18,048	2,904	6,567	6,522	1,519	35,560	9,113	44,673
Total Salaries and Related Expenses	\$ 520,077	\$ 83,898	\$ 189,351	\$ 188,445	\$ 43,814	\$ 1,025,585	\$ 263,386	\$ 1,288,971
Accounting and legal fees	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 8,932	\$ 8,932
Supplies	13,755	2,040	20,935	7,786	-0-	44,516	14,051	58,567
Telephone	-0-	-0-	-0-	-0-	-0-	-0-	7,642	7,642
Postage and shipping	-0-	-0-	-0-	-0-	-0-	-0-	1,123	1,123
Utilities	-0-	-0-	-0-	-0-	-0-	-0-	60,152	60,152
Equipment rental and maintenance	12	-0-	1,513	1,371	-0-	2,896	15,409	18,305
Printing and publications	-0-	176	-0-	-0-	-0-	176	1,529	1,705
Travel and transportation	139	-0-	-0-	45	-0-	184	10,259	10,443
Conferences	20	35	103	108	-0-	266	1,224	1,490
Food purchases	-0-	-0-	-0-	82,270	-0-	82,270	-0-	82,270
Advertising	-0-	-0-	-0-	-0-	-0-	-0-	1,762	1,762
Staff recruitment	-0-	-0-	-0-	-0-	-0-	-0-	1,256	1,256
Insurance	786	-0-	-0-	-0-	-0-	786	22,696	23,482
Professional fees	523	-0-	-0-	5,913	-0-	6,436	5,921	12,357
Temporary help	7,376	-0-	2,765	-0-	-0-	10,141	-0-	10,141
Intercompany fees	20,256	-0-	-0-	-0-	-0-	20,256	114,537	134,793
Miscellaneous	1,236	-0-	-0-	1,118	96	2,450	4,078	6,528
	\$ 44,103	\$ 2,251	\$ 25,316	\$ 98,611	\$ 96	\$ 170,377	\$ 270,571	\$ 440,948
Total Expenses Before Depreciation	\$ 564,180	\$ 86,149	\$ 214,667	\$ 287,056	\$ 43,910	\$ 1,195,962	\$ 533,957	\$ 1,729,919
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	12,257	12,257
Total Expenses	\$ 564,180	\$ 86,149	\$ 214,667	\$ 287,056	\$ 43,910	\$ 1,195,962	\$ 546,214	\$ 1,742,176

See accompanying notes to financial statements.

JULIEN CARE FACILITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004

Cash Flows From Operating Activities:	
Cash received from patient fees	\$ 1,194,600
Cash received from others	195,512
Cash received from rents	79,802
Cash paid to employees and suppliers	(1,736,565)
Interest received	<u>2,204</u>
Net Cash Used From Operating Activities	<u>\$ (264,447)</u>
Cash Flows From Investing Activities:	
Cash from assets whose use is limited	<u>\$ (2,522)</u>
Net Cash Used From Investing Activities	<u>\$ (2,522)</u>
Net Decrease in Cash and Equivalents	\$ (266,969)
Cash and Equivalents at Beginning of Year	<u>511,542</u>
Cash and Equivalents at End of Year	<u><u>\$ 244,573</u></u>
Reconciliation of Change in Net Assets to Net Cash from Operating Activities	
Change in Net Assets From Operating Activities	<u>\$ (198,434)</u>
Adjustments:	
Depreciation	\$ 12,257
Changes in Assets and Liabilities:	
Increase in patient accounts receivable	(71,624)
Increase in prepaid expenses	(14,343)
Increase in inventory	(4,307)
Decrease due from affiliate	15,653
Increase in accounts payable	4,583
Decrease in accrued salaries	(1,515)
Decrease in compensated absences	<u>(6,717)</u>
	<u>\$ 66,013</u>
Net Cash Used from Operating Activities	<u><u>\$ (264,447)</u></u>

See accompanying notes to financial statements.

JULIEN CARE FACILITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 1 - Summary of Significant Accounting Policies:

A. Reporting Entity

Julien Care Facility, a home specializing in the residential care treatment of chronically mentally ill persons, is a division of the Gannon Center for Community Mental Health, an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code. The corporation has five other operating divisions:

Gannon Center for Community Mental Health - Dubuque Office;  
Dubuque, Iowa  
Gannon Center for Community Mental Health - Maquoketa Office;  
Maquoketa, Iowa  
Andrew Jackson Care; Bellevue, Iowa  
Julien Care Facility - Behavioral Adjustment Unit; Dubuque,  
Iowa  
Gannon Center for Community Mental Health - Clinton Office;  
Clinton, Iowa

The information in this report relates to the Julien Care Facility.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

C. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2004.

D. Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

JULIEN CARE FACILITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Note 1 - Summary of Significant Accounting Policies: (Continued)

E. Inventories

Inventories are stated at cost (principally on the first-in, first-out basis) not in excess of market value. Market is determined by comparison with recent purchases or reasonable value. Inventories consist of usable supplies.

F. Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of 5 -10 years.

G. Compensated Absences

Facility employees accumulated a limited amount of earned but unused vacation, personal day and sick day benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on current rates of pay.

H. Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

I. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

J. Estimates

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The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

JULIEN CARE FACILITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(CONTINUED)

Note 2 - Property and Equipment:

A summary of changes in property and equipment is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Office Furniture and Equipment	\$ 148,780	\$ -0-	\$ -0-	\$ 148,780
Leasehold improvements	9,341	-0-	-0-	9,341
Total	<u>\$ 158,121</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 158,121</u>

Note 3 - Retirement Plan:

The Organization has a contributory 401(k) retirement plan. Substantially all employees are eligible for the salary deferral portion of the plan while employees must have at least one year of continuous service with 1,000 hours worked to be eligible for the Organization's contribution equal to five percent of the employee's gross salary. Employees are vested immediately on salary deferral contributions. Vesting for the Organization's contributions are stepped at a rate of twenty percent a year. Retirement plan expense for fiscal year ended June 30, 2004, was \$44,673.

Note 4 - Lease Agreement:

The Gannon Center for Community Mental Health leases real estate known as the Julien Care Facility from the County of Dubuque, Iowa for a sum of \$1 per year. The term of the lease was from July 1, 2001, to June 30, 2002, with an additional one year automatic extension thereafter from July 1, to June 30 each year unless notice of termination is given.

Note 5 - Related Party:

The Facility was reimbursed \$ 182,866 for services it provided to related operating divisions.

The Facility reimbursed related operating divisions \$ 134,793 for services provided.

JULIEN CARE FACILITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004  
(CONTINUED)

Note 6 - Residents' Cash:

The Facility maintains special accounts for donations made to the Facility for special projects and for monies that the residents have for personal expenditures. The accounts are segregated from the general operating funds.

Note 7 - Center Risk Management:

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 8 - Economic Dependence:

The Facility receives a substantial amount of its support from local county government. A significant reduction in the level of this support, if this were to occur, may have an effect on the Facility's programs and activities. A large portion of the Facility's revenue from patient fees is paid by third-party reimbursement whereby patients qualify for funding through Title XIX of the federal Social Security Act. Changes in the level of funding for this program could have a considerable effect on the patient's ability to pay for services provided.

Note 9 - Self Insurance:

The Facility is self-insured for its employees' dental care claims. Insurance providers assist the Facility in determining its estimated liabilities for these self-insured claims.

Note 10 - Board Designated Net Assets:

Board designated net assets at June 30, 2004, include the following:

Self-funded dental insurance surplus	<u>\$ 19,147</u>
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Note 11 - Concentration of Credit Risk:

The Center, and its six divisions, maintain cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2004 the Center, and its six divisions, have uninsured cash balances at one of the institutions.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors  
Julien Care Facility

We have audited the financial statements of Julien Care Facility (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated January 7, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Julien Care Facility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Julien Care Facility's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the

internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Julien Care Facility in a separate letter dated January 7, 2005.

This report, a public record by law, is intended for the information and use of the Julien Care Facility, and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa  
January 7, 2005